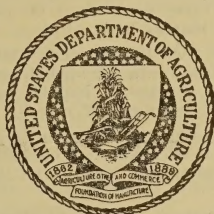


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UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION

BALANCED PRODUCTION IN THE CORN-HOG INDUSTRY



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1936-1937 CORN-HOG CONTRACT IN BRIEF

Duration of the Contract.—Two years, from December 1, 1935, to November 30, 1937.

Bases.—Establishment by appraisal by community committees. Review, to assure uniformity, by county allotment committees. Both appraisal and review to be in accordance with standards prescribed by Secretary.

Corn Adjustment in 1936.—From 10 to 30 percent of corn base, with exact percentage at option of producer. Planting of not less than 25 percent of base acreage required.

Hog Adjustment in 1936.—To receive maximum payment, producer shall raise for market not less than 50 percent and not more than 100 percent of the market hog base.

Corn Adjustment in 1937.—Rate to be announced by November 30, 1936. Planting of more than 25 percent of the corn base or adjustment below 75 percent of the base not to be required.

Hog Adjustment in 1937.—To secure maximum hog payment, producer will not be asked to raise more than 60 percent or less than 75 percent of his assigned market base.

Corn Payments.—In 1936, two installments, about August 1 and about December 31, at rate of 35 cents per bushel, times the appraised yield, times the adjusted corn acreage. The 1937 rate per bushel to be not less than 30 cents; announcement of rate by November 30, 1936.

Hog Payments.—In one installment as soon as possible after final compliance check at close of each year. The 1936 rate will be \$1.25 per head for each hog in the market base. The 1937 rate will be not less than the 1936 rate.

Local Administrative Expenses.—Pro rata share to be deducted from corn and hog payments.

Division of Corn Payments.—Tenant and landlord share according to respective interests in assigned corn base and as the corn crops under the lease are divided on each separately owned tract. As an alternative method, subject to approval of allotment committee, tenant and landlord may divide corn payments according to the number of adjusted corn acres on each separately owned tract.

Division of Hog Payments.—Tenant and stock-share landlord divide payments as they divide pig crop under lease.

Use of Adjusted Acres.—Planting of soil-improving or erosion-preventing crops required on the adjusted corn acres. Such plantings must be in addition to the normal area devoted to these purposes.

Termination of Contract.—Contract to be in full force through November 30, 1937, unless the Secretary:

- (1) By announcement not later than November 30, 1936, terminates all corn-hog adjustment contracts with respect to 1937, or
- (2) Approves an application made by the contract signer not later than April 1, 1937, for termination of his original contract, or
- (3) Terminates the contract because of noncompliance.

BALANCED PRODUCTION IN THE CORN-HOG INDUSTRY

With the valuable experience of two years of cooperative effort in correcting some of the maladjustments in corn and hog production, producers have formulated with the Agricultural Adjustment Administration a two-year program designed to secure for corn-hog farmers fair returns for their products and to assure consumers of an adequate supply of pork in the future.

Such a program should appeal to the business sense of the farmer. The well-informed farmer knows that every producer has a better opportunity to gain when the entire industry is thriving. He knows that adjustments in production can be accomplished through voluntary cooperation under the Agricultural Adjustment Act and that such adjustments must be in line with the public interest. When he studies the new program he will recognize that its major purpose is to establish his hog income at a fair level over a period of years and improve the productive capacity of his land.

In order that the corn-hog industry may balance production with market outlets, and thus obtain a fair exchange value for its products, the new program must do four things:

- (1) Balance the corn crop with livestock-feeding requirements.
- (2) Encourage the use of better balanced cropping systems on individual farms.
- (3) Maintain a balance between producer and consumer interests.
- (4) Restore the balance in production between regions adversely affected by drought and floods during the last two years, and regions having more normal weather during that period.

CONTINUED CORN ADJUSTMENT NEEDED

An immediate problem now facing corn and hog producers is the control of corn production in 1936.

The principal factor influencing hog production is the relationship between hog prices and corn prices—the hog-corn price ratio. When corn prices are low in relation to hog prices, the resulting ratio is reflected in increased hog supplies 12 to 18 months later. This ratio has been very favorable to hog production since early fall of 1935. Since the supply of corn per grain-consuming animal on farms this winter will be larger than in any year since the war except 1926, the hog-corn price ratio is likely to remain favorable to hog raising and feeding during 1936.

Livestock numbers on farms are expected to continue at relatively low levels throughout 1936. A 30-percent increase in hog numbers is anticipated, but the increases in numbers of cattle, poultry, and

sheep will probably be offset by a decline in the number of horses and mules. Assuming an average yield of corn on 103,000,000 acres—the probable acreage without a program—the 1936 corn crop would total approximately 2,647,000,000 bushels. This would mean a supply of corn per farm animal during the 1936-37 crop year nearly 15 percent larger than the average supply available from 1924 to 1933. Such a supply would result in a sharp decline in corn prices and would lay the foundation for excessive expansion in hog production.

Invariably in the past this combination of factors has resulted in harmful fluctuations in hog production and prices, in unstable income and uncertain purchasing power to farmers, and in recurring gluts and shortages in supplies available for consumers.

Neither producers, processors, distributors, nor consumers benefit when corn-hog production cycles are allowed to run their course. The risk is great for all groups and especially injurious to farmers. The 10 major production cycles since 1890 have caused an almost continuous maladjustment in supplies and prices of corn and hogs.

A corn acreage of about 95 million acres, under normal weather conditions, will produce sufficient feed in 1936 for requirements during the 1936-37 winter feeding season and provide for an ample carry-over. To keep corn acreage in 1936 to this figure it will be necessary to make a downward adjustment of at least 10 million acres in the land normally planted to corn on farms under contract. This will provide for an increase of about 1,400,000 acres over the acreage harvested in 1935.

Contract signers will be offered the option of retiring from 10 to 30 percent of their base corn acreage in 1936. This same flexible range for corn adjustment in the 1935 contract enabled producers to adjust their corn acreage by an amount best suited to their particular farming operations.

The cooperating producer must agree to plant corn in 1936 on at least 25 percent of his base corn acreage.

TIMELY SHIFT FROM CORN TO GRASS

The land to be shifted from corn production, known as the "adjusted corn acreage" under the new contract, must be used for soil-improving or erosion-preventing purposes.

A similar requirement was not included in the 1935 contract because of the necessity of providing for an increase in the production of early feed grains and forage crops in order to rebuild drought-depleted reserves. More abundant supplies of feed grains and hay for feeding in 1936 obviate the necessity of using adjusted corn acres for these purposes.

The adjusted corn acreage used for soil-building or erosion-preventing crops, pasture, fallow, forest trees, and the like, must be in addition to the acreage normally devoted to such uses on the farm.

This opportunity to repair damage done to the soil by intensive cropping will be welcomed by all farmers who are interested in better farming practices and who realize the value of grass crops for conserving soil and soil fertility. Planting the adjusted corn acreage to soil-improving crops will safeguard the producer's capital investment and in the long run lower his production costs.

From the standpoint of national welfare, not only is it important that farmers produce more efficiently but it is also imperative that prices of farm commodities do not again go so low as to force farmers to "sell" their fertility, piecemeal, along with the crops, by mining their soil.

BALANCING HOG PRODUCTION TO MARKET OUTLETS

The provisions in the new contract are designed to permit a 30-percent increase in hog production in 1936 over that of 1935. Such a production would be about 20 percent less than the average annual production in 1932 and 1933.

It is desirable from the standpoint of both producers and consumers to bring about this 30-percent increase in hog production in 1936. The limiting factor in relieving the pork shortage during the past year has been the time that it takes to increase breeding stock and bring the offspring to market weights after a failure of feed crops and a drought-enforced liquidation of breeding stock.

It would be detrimental to both producers and consumers, however, if hog numbers expanded excessively. And so the contract has been devised to permit expansion in 1936 and to safeguard against excessive production the following year.

In order that the farmer participating in the program may receive the maximum hog adjustment payment in 1936 it will be necessary that he produce between 50 and 100 percent of his hog-production base. These requirements are for the purpose of bringing about an adjustment in hog production that will afford consumer protection and enable producers to receive a greater gross income than they would receive if hog production were limited to the low levels brought about by the drought. Although hog production should be substantially larger than that of 1935 if the best interests of both producers and consumers are to be served, it would be detrimental to both groups if—in view of the present export possibilities—production were permitted to return to the excessive levels of 1932 and 1933.

REGIONAL BALANCE ESSENTIAL

Maximum and minimum limits on corn and hog production in 1936 have been set to encourage a return to balance in the regional distribution of corn and hog production.

The drought in 1934 and excessive rainfall in 1935 reduced corn supplies and breeding stock in certain regions to such low levels that normal production in those regions cannot be resumed in 1936. On the other hand, regions having favorable weather during 1934 and 1935 are in a position to expand production materially.

The new program, therefore, is designed to stimulate the production of hogs where production would otherwise tend to be abnormally low and to prevent excessive expansion in other regions. If individual producers in favored regions were permitted to produce over 100 percent of their base, it would result in a regional dislocation of the industry. To enable the producers to effectively control production, it is necessary to maintain regional balance in 1936 and to continue such regionally balanced production into 1937 by a two-year program.

PAYMENTS FOR MAKING ADJUSTMENTS

The adjustment payment on corn in 1936 will be 35 cents per bushel on the appraised yield times the adjusted corn acreage—less the pro rata share of local administrative expenses.

Corn-adjustment payments will be made in two instalments. The first, at the rate of 20 cents a bushel, is to be made about August 1, or as soon as possible after first compliance is checked. The second will come due about December 31, 1936, at the rate of 15 cents per bushel, less the pro rata share of the local administrative expenses.

A hog payment of \$1.25 per head will be made on each hog in the base. Deductions will be made at the rate of \$2.50 per head if a producer fails to raise 50 percent of his base hog numbers. The total hog payment to a producer participating in the program will be the same for a production ranging from 50 percent to 100 percent of his base. For example, a cooperating producer whose base is 100 hogs and who produces any number from 50 to 100 head will receive a hog payment of \$125. If he produces only 40 head his payment will be \$100. Deductions of \$5.00 per head will be made if the producer raises more than his assigned base number.

Hog payments, less the pro rata share of the local administrative expenses, will be made in one instalment about December 31, 1936, or as soon as possible after final compliance has been checked and certified.

The rates of adjustment payments in 1937 will be determined by the Secretary before November 30, 1936, but the rate of payment on corn will not be less than 30 cents per bushel and the rate on hogs will not be less than \$1.25 per head on the number in the base. The pro rata share of local administrative expenses in 1937 will be deducted from the payments.

The division of adjustment payments between tenants and stock-share landlords will be on a different basis from that under the past two corn-hog contracts. Hog payments will be divided as hogs produced in 1936 and 1937, or proceeds from sales of hogs, are divided under the terms of the lease, rather than in accordance with respective contributions to the base as in 1934 and 1935.

Corn adjustment payments will be divided between the tenant and landlord, or landlords, in proportion to their interests in the assigned corn base on each separately owned tract of land covered by the contract. Their respective interests in the base will be determined as the corn crop is divided on each tract. Tenants and landlords may elect, however, to divide the corn payments as they would have shared in a corn crop had corn been produced on an acreage equal to the number of adjusted acres on each separately owned tract; but this division must be approved by the county allotment committee.

HOW ABOUT ADJUSTMENTS IN 1937?

The combination of factors which threatens an overexpansion in the hog industry within the next two years makes a two-year program essential. A two-year program has the added advantages of (1) permitting contract signers to plan farm operations more intelligently and with assurance of a more stable income from corn and hogs, and (2) a reduction in administrative work.

The rates of adjustment in 1937 will be announced by the Secretary of Agriculture before November 30, 1936, and will be determined by the outlook at that time. A contract signer, however, will not be required to use more than 25 percent of his corn base as adjusted corn acres in 1937, and he will not be required to produce more than 60 percent of his hog base nor asked to make a downward adjustment of more than 25 percent of his base hog numbers.

EQUITABLE BASES FOR ALL PRODUCERS

Corn and hog bases will be established in 1936 by appraisal in accordance with standards prescribed by the Secretary. This will permit the assignment of equitable bases to all producers, regardless of whether or not they have previously participated in corn-hog adjustment programs.

Under the previous two corn-hog adjustment contracts, percentage reductions were made from the historic production base. This method proved effective in an emergency situation when the immediate aim was to remove price-depressing surpluses. The purposes of establishing bases by appraisal, rather than retaining the historic production bases, are:

- (1) To encourage participation, since the more equitable bases will make the program attractive to a larger number of producers.
- (2) To permit the use of more balanced cropping systems and livestock production.
- (3) To enable new producers to participate in the program.

Community committeemen will appraise the farm to be operated by each applicant for a contract and will recommend the base for corn and for hogs on each farm. The committeemen will take into account the production in recent years, the type of farming followed, the kind of soil, the topography of the land, the equipment, and other factors pertaining to corn and hog production on the farm.

After community committeemen have finished the field work and recommended appraised bases for all applicants, the county allotment committee will review the work to see that the bases are fair as between communities and producers, and that the aggregates of all corn and hog bases are within the prescribed county contract limits. A State Board in each State will perform the same duties between counties. This procedure is necessary in order that the objectives of the program may be safeguarded and in order that there may be uniformity in the assignment of bases to all contracts.

ADDITIONAL FEATURES OF NEW CONTRACT

In the new contract, corn for silage will be included in the corn base. In checking compliance, no consideration will be given to the uses made of the corn. This eliminates the silage provisions of the previous corn-hog contracts.

A signer with a corn base of 10 acres or more will be eligible for payment. If his corn base is less than 10 acres and he is to receive a hog payment, he must agree not to increase his corn acreage above

his base. If his base is between 10 and 15 acres, he may either make an adjustment and receive payment, or obtain an exemption from adjustment, and agree not to increase his corn acreage above his base. This will enable a producer with a small corn base who needs all corn produced on his base acreage to participate in the program by making the necessary adjustment in his hog production.

A contract signer with a market hog base of six hogs or more will be eligible for a hog payment. If his market hog base is less than six hogs and he is to make an adjustment in corn acreage according to the terms of the contract, he must agree not to produce hogs in excess of his hog base. However, if his market hog base is between 6 and 15 hogs, he may either make an adjustment and receive a hog payment, or not produce hogs in excess of his base and receive no hog payment.

OBJECTIVES OF NEW PROGRAM

The new two-year program offers the individual producer:

- (1) A greater opportunity to receive a fair return for his products;
- (2) A greater stability in prices and income by ironing out the sharp fluctuations in production commonly referred to as the corn-hog cycle;
- (3) Equitable corn and hog bases that will permit good land use, balanced farming, and sound farm management practices;
- (4) Sufficient flexibility to permit such adjustments in production as are best suited to individual farming operations.

The goal of the 1936-1937 corn-hog adjustment program is to balance production at a point where the supplies of these commodities will sell at a price low enough to move them freely into consumption, but high enough to keep them coming along over a period of years—keeping in mind the need for protecting our natural resources, which in this case is the soil—and to bring about these adjustments through a continuation of democratic processes involving a high degree of local administrative responsibility.

